



Roblox Corporation

RBLX

EQUITY RESEARCH REPORT

October 27, 2026

Moschovakis Capital — Wealth Preservation Equity Research

RBLX — Roblox Corporation

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Framework Note

The framework applied here is the Wealth Preservation Equity Research Framework. Roblox is a pre-profit, high-growth platform, so I applied the High-Growth / Pre-Profit adaptation. Under the standard gatekeeping sequence, the negative interest coverage alone triggers automatic removal. Under the adaptation, I still require a Wealth Preservation Score of at least 70. The candidate scores 25. That single fact drives the final decision.

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	\$54.37 USD / €48.78 EUR
Fair Value (Base Case, 7% discount)	\$54.06 USD / €48.49 EUR
Margin of Safety	-0.6%
Target Entry	Not applicable under current scenario

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	None
Expected Price Appreciation (Base)	6.9% CAGR
Total Expected Return (Base)	6.9% CAGR
Bear Case Total Return	-11.6% CAGR
Bull Case Total Return	+13.7% CAGR
Probability-Weighted Return	+4.0% CAGR

Risk Assessment	Value
Wealth Preservation Score	25 / 100
Downside Protection Score	25 / 100

Risk Assessment	Value
Quality Score	8 / 100
Risk Level	**ELEVATED**
Probability of >50% Loss	25%
Recession Profile	SENSITIVE

One-Line Thesis

Roblox owns a real UGC network with positive free cash flow and a net cash balance sheet, but at \$54.37 you pay 6.8x trailing revenue and 26x trailing free cash flow for a GAAP-unprofitable, SBC-heavy business whose bear case produces roughly a 70% drawdown and whose base case clears only a 6.9% total return, so the wealth preservation mandate rejects it.

INVESTMENT THESIS

Roblox operates a two-sided ecosystem that does not behave like a hit-driven game publisher. The platform supplies Roblox Studio, Robux, avatar marketplace, and social infrastructure. Creators build the experiences. That model removes the single-title failure risk that burdens most video game companies. The scale is real. The platform reports 132 million DAUs for FY2025, with the paired creator-player marketplace tracking 216 million MAUs in the Koalagains comparison. Robux accounts for over 90% of total revenue, so the virtual economy is not a side feature. It is the business. The FY2025 gross margin reached 78.1%, and the company generated \$1.4 billion of free cash flow in FY2025 on \$4.89 billion of revenue. Current cash of \$3.01 billion exceeds total debt of \$1.84 billion by \$1.17 billion. Those facts support the view that Roblox is not a distressed or disappearing enterprise.

Yet the wealth preservation mandate rejects this name on three separate quantitative failures. First, the downside is not capped. In the bear case I model in Section 5, revenue compounds at only 5% for a decade, FCF margin compresses to 12%, the exit multiple falls to 12x FCF, dilution continues near 2.3% annually, and the resulting 2036 per-share value is approximately \$15.91. From \$54.37 that is a -11.6% annualized total return over ten years, with a peak-to-trough-style equity decline of about 71%. No portfolio constructed for capital preservation should accept a 25% scenario weight that delivers a 70% permanent-style loss. The framework requires a bear case total return of 0% or better. This candidate produces deeply negative bear case returns.

Second, the base case does not clear the hurdle. I assume 12% revenue growth for ten years, a terminal FCF margin of 25%, a 20x exit multiple, net cash of \$2.0 billion, and 850 million diluted shares by 2036. That produces a 2036 per-share value near \$106.35, a 6.9% ten-year CAGR from \$54.37. The inflation-plus-4% hurdle is 7%. The base case misses by ten basis points even before accounting for execution risk. Third, the permanent capital loss threshold fails. The bear scenario alone carries a 25% probability and produces more than a 50% drawdown. The framework allows no more than a 10% probability of permanent loss. Roblox fails that test.

The bull case exists. If revenue grows 15% for a decade, FCF margin reaches 28%, shares grow only modestly, and the market pays 24x terminal FCF, the 2036 per-share value approaches \$197, a 13.7% annualized return. But the bull case requires the company to earn into a premium multiple after years of negative GAAP earnings, heavy stock-based compensation, regulatory scrutiny, and a recent history of violent post-earnings stock declines. A 50/50 risk profile, no matter the upside, does not belong in this book. The alternative remains a 4%

high-yield savings account while the portfolio waits for a price or fundamental reset. Roblox does not currently beat that alternative on a risk-adjusted basis.

1. BUSINESS QUALITY ASSESSMENT

Roblox is not a game publisher. The company supplies the foundational platform, Studio tooling, Robux currency, avatar marketplace, immersive ads, and social graph. Creators supply the experiences. That distinction matters because it removes the binary success risk of a traditional title pipeline. The Koalagains Business and Moat analysis puts the moat in the widest category, built on network effects: a global audience attracts developers, developer content attracts more users, and social identity keeps both sides locked in. The DCF Analyst places Roblox in the high-network-depth/high-creation-leverage quadrant because users, creators, social identity, and cloud tooling reinforce one another. The practical evidence is the DAU count. FY2025 had 132 million DAUs. The Q1 2026 earnings review noted bookings jumped 43% while DAUs missed expectations, which means monetization is now running ahead of engagement. That is a useful but incomplete picture.

Unit economics support the platform quality. Gross margin was 75.3% in FY2022, 76.8% in FY2023, 77.8% in FY2024, and 78.1% in FY2025. Revenue recognition spreads Robux purchases over the estimated payer life, which declined from 28 months to 27 months in Q2 2024. The decline is not catastrophic, but it is a sign that younger cohorts do not monetize forever. The United States generated 55% of Q1 2026 revenue, leaving international monetization as the largest structural gap. The Koalagains competition note reports revenue of \$4.89 billion for Roblox versus roughly \$1.85 billion for Unity and \$7 billion for Take-Two, so Roblox is large but not yet a cash cow.

The moat has a specific regulatory tax. The FY2024 10-K states plainly that the business model depends on providing a safe environment for users, many of whom are children, and that failure would hurt the business dramatically. The platform faces severe child-safety regulatory headwinds. The November 2025 age-verification rollout was characterized internally as the gold standard with no friction, and a securities class action now alleges that characterization was misleading. The packet reports the surprise impact wiped out \$6.7 billion of market capitalization. That is not a theoretical risk. It is an event that has already occurred.

On the other side, the company did raise the DevEx rate from \$0.0035 to \$0.0038 per earned Robux on September 5, 2025, an 8.5% improvement. Management accepted near-term margin pressure to keep creators producing. That is the correct long-term move. The platform also carries \$3.01 billion of cash and generated \$1.4 billion of FY2025 free cash flow, so it is not reliant on external capital. The business quality is genuinely high. The problem is not the moat. The problem is the price and the dilution embedded in the ownership claims.

2. FINANCIAL FORTRESS ANALYSIS

The fortress test asks a direct question: can Roblox survive a severe revenue shock and continue servicing its obligations without destroying outside shareholders? On cash and FCF durability, the answer is mostly yes. On GAAP profitability and equity dilution, the answer is no.

Starting with liquidity, the company holds \$3.01 billion of cash against \$1.84 billion of total debt. Net cash is \$1.17 billion. Cash covers 164% of total debt. Free cash flow is positive and accelerating: approximately \$124 million in FY2023, \$641.3 million in FY2024, and \$1.4 billion in FY2025. Operating cash flow reached \$822.3 million in

FY2024 and approximately \$1.8 billion in FY2025. A 30% revenue decline for two years would compress FCF, but the net cash buffer plus existing FCF generation means the company would not need an emergency equity raise simply to stay solvent. The standard solvency threshold on current cash and FCF is therefore met.

The equity side fails. Book value per share sits near \$0.21 per ChartMill, producing a debt-to-equity ratio above 10x, because accumulated losses have consumed shareholders' equity while debt remains on the balance sheet. The standard framework treats debt-to-equity above 1.0x as a red flag. Interest coverage is negative because EBIT is negative in every year shown: -\$924 million in FY2022, -\$1.15 billion in FY2023, -\$935 million in FY2024, and -\$1.07 billion in FY2025. TTM EBIT remains negative at an operating margin of -13.27%. The interest coverage gate would automatically remove this name under the standard framework. I apply the pre-profit adaptation instead, but the adaptation still requires a WP Score of 70 or higher. The candidate does not clear that bar.

The real fortress problem is share count. Diluted shares grew from 595.56 million in FY2022 to 689.61 million in FY2025, a 15.8% increase over three years. That is a 5.0% annualized dilution rate. The standard framework sets 4% as the deal-breaker threshold. Roblox exceeds it. Stock-based compensation totaled \$1.01 billion in FY2024, more than the \$935 million GAAP net loss that year. Each year, outside shareholders own a smaller slice of the same cash flows. For a wealth preservation investor, this is a direct transfer of value from owners to employees. The income statement improves, and FCF turns positive, but the per-share benefits leak through the share count.

Solvency Assessment: ADEQUATE on cash and FCF, but not FORTRESS. The standard interest coverage gate fails, and the dilution gate fails outright.

3. DIVIDEND ANALYSIS

Roblox pays no dividend. No dividend analysis applies.

4. VALUATION ANALYSIS

At \$54.37, the market capitalizes Roblox at approximately \$38.9 billion on 715.98 million shares outstanding per ChartMill. TTM revenue is \$5.69 billion, so the trailing price-to-sales ratio is 6.8x. Enterprise value is \$37.7 billion after netting \$1.17 billion of cash against debt, producing EV/Sales of 6.6x. Trailing levered free cash flow is \$1.48 billion, so P/FCF is 26.3x, an FCF yield of 3.8%. Book value is tiny at \$0.21 per share, so P/B is roughly 259x. P/E and EV/EBITDA are not meaningful because Roblox loses money.

The fine print matters. Finexus reported P/S near the 90th percentile of Roblox's own five-year history and P/B near the 95th percentile. The market's message is clear: current buyers are paying a premium multiple for a business still reporting GAAP losses. ChartMill assigns a valuation rating of 1 out of 10. Zacks reports a forward 12-month P/S of 12.59x versus an industry average of 3.29x. Even if that forward figure uses different share accounting than my trailing 6.8x, the direction is indisputable. Roblox trades at a large premium to gaming peers.

The mean analyst target is not above the current price. ChartMill's 44-analyst mean target is \$49.67, which is 8.6% below \$54.37. The median is \$47.94, 11.8% below the current quote. MarketBeat's 31-analyst target of \$56.96 implies 4.8% upside, but that target has been cut from \$85.48 three months ago and \$128.80 one year ago. Macroaxis reports a consensus of \$48.32. The Finexus DCF values of \$74.52 and \$91.99 imply upside of

37% and 69%, but the analyst DCF explicitly relies on a 10-year FCF CAGR of 68.6%, which is not a preservation assumption.

My fair value calculation discounts the base case 2036 per-share value of \$106.35 at the 7% hurdle rate. Compounding \$106.35 back ten years at 7% gives \$54.06. At \$54.37, the margin of safety is -0.6%. The market currently asks you to pay slightly more than the 7% hurdle value for a business that still has negative GAAP net income, heavy SBC, active litigation, and a history of post-earnings crashes. Valuation Verdict: EXPENSIVE, with no margin of safety.

5. SCENARIO ANALYSIS

Scenario	2036 Per-Share Value	Total CAGR	Weight	Contribution
Bear	\$15.91	-11.6%	25%	-2.9%
Base	\$106.35	+6.9%	50%	+3.5%
Bull	\$197.25	+13.7%	25%	+3.4%
Probability-Weighted		**+4.0%**		

The base case starts with TTM revenue of \$5.69 billion and grows revenue at 12% for ten years, reaching \$17.67 billion. I apply a 25% FCF margin, a 20x terminal FCF multiple, \$2.0 billion of net cash, and 850 million diluted shares. The resulting equity value is \$90.4 billion, and the per-share value is \$106.35. From \$54.37, that is a 6.9% annual total return. The company pays no dividend, so price appreciation is the entire return. The 6.9% figure falls ten basis points short of the inflation-plus-4% hurdle. The fair value calculation uses the same terminal value discounted at 7%, which yields \$54.06 and a -0.6% margin of safety.

The bear case assumes revenue growth slows to 5% annually for a decade as regulatory costs, child-safety compliance, infrastructure spending, and competition compress FCF margin from roughly 26% to 12%. I assign a 12x exit multiple, which is not punitive for a pre-profit platform under stress, and 900 million shares by 2036. Revenue reaches \$9.27 billion, FCF is \$1.11 billion, and equity value is \$14.32 billion after \$1.0 billion of net cash. Per share that is \$15.91. The ten-year CAGR from \$54.37 is -11.6%. This is the failure point. A 25% scenario probability that destroys 71% of the investment is incompatible with capital preservation.

The bull case assumes 15% revenue growth, 28% FCF margin, a 24x terminal multiple, \$3.0 billion of net cash, and 800 million shares. Revenue reaches \$23.02 billion, FCF is \$6.45 billion, and equity value is \$157.8 billion. The per-share value is \$197.25, a 13.7% annualized return. That outcome is plausible if international monetization compounds, advertising matures, age expansion lifts ARPU, and operating leverage finally converts top-line growth into GAAP profit. But the probability-weighted expected return across all three scenarios is only 4.0%. The distribution has high variance, with a 71% downside and a 263% upside. That is not asymmetric in favor of the investor. It is a speculative distribution.

6. RISK ASSESSMENT

The primary risk is child safety and the regulatory reaction. The FY2024 10-K states that if Roblox cannot provide a safe environment for children, the business will suffer dramatically. The company began age-check verification in November 2025 and described the rollout as the gold standard with no friction. A securities class action now alleges the disclosures were misleading. The lawsuit focuses on the effect of the age verification rollout and reports that the surprise impact wiped out \$6.7 billion of market capitalization. That is a live catalyst, not a hypothetical. If the company faces large penalties, mandated changes to account setup, or limits on social features, bookings and DAU growth could decelerate below current consensus.

The second risk is the valuation and the estimate-revision pattern. ChartMill reports the mean analyst target down 26.46% in three months. MarketBeat shows the target falling from \$85.48 to \$56.96 over three months and from \$128.80 one year ago. Sell ratings rose from 1 to 5. Zacks rates the stock a Sell and projects an 18.8% decline. The post-earnings reaction history is violent. The stock fell 26.85% after the July 30, 2026 report, 18.33% after April 30, 2026, and 15.51% after October 30, 2025. Only the February 5, 2026 print produced a gain. Even EPS beats do not protect the stock because the market reprices the top-line miss or the next-quarter guidance.

Third, the company remains unprofitable. FY2025 net loss was \$1.07 billion. TTM net loss is \$1.0 billion. The company pays no dividend. All expected return must come from price appreciation. Stock-based compensation exceeds the GAAP net loss in FY2024. The diluted share count grew at 5% annually from FY2022 through FY2025. Every year of negative GAAP earnings and SBC dilution transfers part of future value away from outside shareholders. The pre-profit adaptation permits this only if the growth profile clears a higher WP Score. It does not.

Fourth, insider activity is entirely one-way. ChartMill confirms zero insider buys in the trailing three months and zero in the trailing twelve months. Insider ownership declined 0.37%. Institutional ownership rose 4.17%, which is a positive, but the officers and CEO sold in a cluster on August 20, 2026 at prices between \$37.78 and \$38.48. Some sales are under Rule 10b5-1 plans, but the absence of any open-market buying reduces confidence.

The probability of a permanent loss exceeds the framework limit. The bear case assigns a 25% probability to a decline of roughly 71%. The framework tolerates no more than 10% probability of a 50% decline not recovered within five years. Roblox fails that threshold by a wide margin.

7. MANAGEMENT & GOVERNANCE

The provided research does not contain a direct management quality assessment, CEO or CFO track record, board independence score, or execution scorecard. I cannot assign a formal management rating from the available data. What the data shows is mixed.

The company uses a dual-class structure with Class A shares and super-voting Class B shares. The voting power resides with insiders, not outside holders. Roblox reincorporated from Delaware to Nevada on May 30, 2025. That change is a governance negative for outside shareholders because Nevada has historically offered weaker protections on fiduciary duty and takeover defenses than Delaware. The company authorized up to \$3 billion of repurchases, which the search summary frames as a new stage of capital allocation. Buyback authority by itself says nothing about whether the company will retire shares faster than it issues them. The current evidence is that share count continues to grow at 5% annually, so the authorization has not yet produced net share reduction.

The insider tape is one-sided. ChartMill records zero insider purchases over the trailing twelve months. The August 20, 2026 cluster included CEO David Brent Baszucki selling \$2.0 million, CFO Naveen Kumar Chopra selling \$664,663, and at least four officers selling between \$192,000 and \$680,787. Additional sales by Mark Reinstra, Gregory Baszucki, and directors appear across September and October 2026. The sales are disclosed as Rule 10b5-1 and Form 144 transactions, which is routine for executives with equity-heavy compensation. But the total absence of open-market purchases weakens any claim that insiders view the current stock as undervalued.

The observable counterpoint is the DevEx rate increase. Management raised the developer exchange rate from \$0.0035 to \$0.0038 on September 5, 2025, accepting near-term margin pressure to retain creators. That is the correct strategic trade. Q1 2026 developer exchange fees grew faster than bookings partly because of that decision, Creator Rewards, and differential Robux pricing. Management also guided to free cash flow as the deciding factor for long-term opportunity. That focus is aligned with value creation, but the results do not yet convert into GAAP profit or per-share growth.

Management and Governance Verdict: Observable actions are mixed, with profitable FCF disclosure and creator economics improving, but one-sided insider selling, heavy SBC, dual-class control, and a Nevada reincorporation create a governance discount for outside shareholders.

8. PEER COMPARISON

The peer set available in the research is thin. The sources name Take-Two Interactive, NetEase, Unity Software, and irrelevant manufacturing comparables TE Connectivity and Corning. Only Take-Two receives a partial business comparison. There are no usable peer P/E, EV/EBITDA, debt-to-equity, interest coverage, dividend yield, payout ratio, FCF margin, ROIC, or dilution figures in the packet for TTWO, NTES, U, TEL, or GLW. I cannot build a complete Stage 3 comparison table from these sources.

What the data supports is qualitative. Take-Two runs a game publisher and IP model built on Grand Theft Auto, with roughly \$7 billion in TTM revenue versus Roblox at \$4.89 billion. Koalagains judged Take-Two the winner in that pairwise business and moat comparison because GTA commands a cultural and economic moat, while Roblox relies entirely on network effects. Unity generated \$1.85 billion in revenue and runs a developer-side tool business with approximately 8x P/S. Roblox's 6.8x trailing P/S is below Finexus's reported 11.4x, but the multiple remains far above Unity and Activision Blizzard's roughly 5x P/S.

The relative positioning is mixed. Roblox wins on organic user pipeline, 22% core bookings growth, and direct control of a virtual currency that accounts for more than 90% of revenue. It loses on pricing power and legislative tailwinds in the Koalagains comparisons. Tencent and EA received higher pricing power ratings. Roblox receives some ESG credit relative to Tencent because it is not subject to CCP regulatory unpredictability, but it absorbs severe child-safety scrutiny that other listed peers do not face in the same way.

For wealth preservation, the absence of complete peer data prevents a reliable quality ranking. The available fragments still show Roblox trading at a growth premium while generating negative net income, which compares poorly with profitable gaming operators on an absolute earnings basis. A proper peer re-ranking would require current debt, margin, dilution, and dividend data for TTWO, NTES, EA, and U. Those figures were not provided in this research packet.

9. KEY METRICS SUMMARY

Metric	Value
Current Price	\$54.37 USD / €48.78 EUR
Market Capitalization	\$38.9B
Enterprise Value	\$37.7B
Net Cash	\$1.17B
TTM Revenue	\$5.69B
FY2025 Revenue	\$4.89B
FY2025 Revenue Growth	35.8%
TTM Revenue Growth	35.9%
Gross Margin FY2025	78.1%
Operating Margin TTM	-13.27%
Net Income TTM	-\$1.0B
Diluted EPS TTM	-\$1.42
Operating Cash Flow TTM	\$2.1B
Levered Free Cash Flow TTM	\$1.48B
P/S TTM	6.8x
EV/Sales TTM	6.6x
P/FCF TTM	26.3x
P/B	258.9x
Diluted Shares FY2022	595.56M
Diluted Shares FY2025	689.61M
Annualized Dilution FY2022-FY2025	5.0%
SBC FY2024	\$1.01B
Insider Ownership	5.42%
Institutional Ownership	84%
Short Float	2.19%
Days to Cover	1.14

10. MONITORING CHECKLIST

Metric / Trigger	Current / Threshold	Action
Q3 2026 earnings (Oct 29, 2026)	Consensus EPS -\$0.42/- \$0.43	Review booking growth, DAU growth, FCF, and GA
Bookings growth	Bull threshold >33%; bear threshold <23%	Re-evaluate if bookings miss Street
DAU growth	FY2025 132M DAUs	Re-evaluate if DAU growth turns negative
Free cash flow TTM	\$1.48B	Re-evaluate if TTM FCF margin falls below 15%
Share count dilution	5.0% annualized FY2022-FY2025	Re-evaluate if annual dilution stays above 2%
Insider transactions	Zero buys in past 12 months	Treat open-market buys as positive signal
Analyst mean target	\$49.67 vs \$54.37	Re-evaluate if target continues falling
Short interest	2.19%	Re-evaluate if short float rises above 5%
Child-safety litigation	Pending securities class action	Re-evaluate on settlement or adverse judgment
Age verification rollout	Began November 2025	Monitor friction and DAU retention impact

11. MARKET EXPECTATIONS & CONSENSUS

What the current \$54.37 price implies is a market that still believes in the long-duration growth story but no longer believes the near-term upside. ChartMill's 44-analyst mean target of \$49.67 sits 8.6% below the current quote. The median is \$47.94, 11.8% below. The high is \$68.25, 25.5% above, and the low is \$30.30, 44.3% below. MarketBeat's 31-analyst target of \$56.96 implies 4.8% upside for the October 2025 to October 2026 window. Macroaxis reports a consensus of \$48.32. The mean target has fallen 26.46% in three months.

The consensus narrative has shifted from Moderate Buy to Hold. The rating mix is 5 Sell, 13 Hold, 12 Buy, and 1 Strong Buy. The target history shows capitulation. The average target was \$85.48 three months ago and \$128.80 one year ago. The Street is no longer defending the old valuation. The bull case requires bookings growth of 33% versus company guidance of 23% and Street consensus of 24%. The bear case is valuation compression. Yahoo's bear-case work cites a forward P/E of 168.5 versus an industry average of 38.2.

Short interest is low at 2.19% of float, with days to cover at 1.14. That means the downside is not driven by crowded short positioning. It is driven by fundamental repricing. The next earnings date is October 29, 2026, after the close. The Q2 2026 report delivered an EPS beat of -\$0.26 versus -\$0.34 consensus but a revenue miss of \$1.47 billion versus \$1.60 billion, and the stock fell 26.85% the next day. Three of the last four earnings prints produced double-digit single-day declines. The market has demonstrated that EPS beats do not matter if bookings or top-line growth disappoint.

Forward valuation inputs from the available data:

Metric	Value	vs. Sector Avg	Assessment
Forward P/E	N/A, expected next-year EPS ~~-\$0.24~~		No positive earnings base
PEG	N/A	N/A	Negative denominator
EV/EBITDA	N/A, EBITDA negative	N/A	Not meaningful

Metric	Value	vs. Sector Avg	Assessment
Forward P/S	12.59x per Zacks	3.29x industry	Extreme premium
Beta	Not provided	N/A	Not available

The price implies the market expects a reacceleration in bookings and a path to GAAP profit without a further multiple reset. The mean target below the current price says the Street does not share that expectation.

12. KEY BUSINESS DRIVERS

Driver 1: Bookings growth

Why it matters: Bookings capture Robux purchases before deferred revenue accounting and are the cleanest read of gross demand.

Current level: Q1 2026 bookings grew 43% per the earnings review, above FY2025 guidance of 23% and Street consensus of 24%.

Bull threshold: Sustained bookings growth above 33% while maintaining DAU growth.

Bear threshold: Bookings growth at or below 23% with DAU stagnation.

Next data point: Q3 2026 report October 29, 2026.

Driver 2: Daily Active Users

Why it matters: DAUs measure network volume and the health of the creator-user flywheel.

Current level: 132 million DAUs for FY2025; Q1 2026 DAUs missed expectations even as bookings jumped.

Bull threshold: DAU growth stays in double digits and engagement hours hold.

Bear threshold: DAU growth flattens or falls, confirming the Q1 2026 monetization/engagement divergence was not transient.

Next data point: Q3 2026 report.

Driver 3: Free Cash Flow Trajectory

Why it matters: Management explicitly guides to FCF as the deciding factor for long-term value.

Current level: \$1.4 billion FY2025, \$1.48 billion TTM.

Bull threshold: TTM FCF margin holds above 25% and FCF grows at least in line with revenue.

Bear threshold: TTM FCF margin falls below 15% as developer payouts, safety spending, and infrastructure absorb growth.

Next data point: Q3 2026 report.

Driver 4: RPU / ARPU via age expansion

Why it matters: The structural thesis is that older users and existing cohorts monetize at higher rates without new acquisition cost.

Current level: Not separately disclosed in the packet; U.S. generated 55% of Q1 2026 revenue.

Bull threshold: Reported bookings per DAU expands as older cohorts engage with marketplace and ads.

Bear threshold: ARPU stagnates while DAU growth slows, breaking the operating leverage assumption.

Next data point: Quarterly shareholder letter.

Driver 5: Dilution rate

Why it matters: Outside shareholders capture value only after SBC dilution.

Current level: 5.0% annualized share growth FY2022-FY2025.

Bull threshold: Net dilution below 1% as buybacks offset SBC.

Bear threshold: Dilution remains above 4%, continuously eroding per-share FCF.

Next data point: Each quarterly share count and SBC disclosure.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
Unity Software	U	Direct gaming-platform peer	Bullish if U holds above its 50-day MA; bearish if U falls below its 200-day MA
VanEck Video Gaming and eSports ETF	ESPO	Sector gaming flows	Bullish if ESPO reclaims and holds its 200-day MA; bearish if ESPO falls below its 200-day MA
10-Year U.S. Treasury Yield	US10Y	Long-duration growth multiple pressure	Bullish for RBLX if yields fall below 4%; bearish if yields rise above 5%
Roblox alternative-data signals	GROW-A-GARDEN / THE HAT / CHARTER	Virtual demand	Bullish if TikTok, Google Trends, and Insta360 show growth

Monitoring rule: If Unity Software shares break below their 50-day moving average or ESPO loses its 200-day moving average, re-evaluate the Roblox thesis within five trading days. If the 10-year Treasury yield rises above 5%, reduce exposure to long-duration unprofitable growth names across the portfolio.

EXIT TRIGGERS / WHAT WOULD CHANGE ASSESSMENT

Roblox is an AVOID at the current price, so these are the conditions that would cause a re-review rather than exit triggers on an existing position.

- **GAAP profitability in sight.** If management provides a credible path to positive GAAP net income within eight quarters and begins reducing SBC as a share of revenue, I re-run the model.
- **Dilution falls below 1% annually.** If share count stabilizes or declines for four consecutive quarters, the per-share return math improves materially.
- **Bear case becomes solvent.** If FCF margin holds above 18% through a forecast recession and the age-verification litigation resolves without material penalties, the bear case may shift from -11.6% toward 0%.
- **Price resets below \$38.** At approximately \$38, trailing P/S falls toward 4.8x and P/FCF toward 18x, which may lift the base case CAGR above the 7% hurdle. This is a re-evaluation trigger, not an automatic buy.
- **Mean analyst target stops falling and moves above the current price.** The current mean target is below \$54.37. A sustained turn upward would signal that the Street sees the bookings/DAU divergence resolving in Roblox's favor.

- **Insider buying appears.** Any open-market CEO or CFO purchase would be a new signal absent from the last 12 months.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Roblox fails the wealth preservation mandate on three non-negotiable tests. The bear case produces a -11.6% annualized return and a roughly 71% drawdown; the base case returns 6.9% against a 7% hurdle; and the probability-weighted expected return is only 4.0%. The company pays no dividend, dilutes shares at 5% annually, remains GAAP unprofitable, and trades at 6.8x sales and 26x trailing FCF with a mean analyst target below the current price. The moat is real, but the ownership economics at \$54.37 do not protect capital. Hold cash while waiting for a material price reset or a fundamental change in dilution and profitability.

ANALYST NOTES

Key Assumptions

- Scenario weights of 25% bear, 50% base, 25% bull per framework.
- Base revenue CAGR 12%, terminal FCF margin 25%, exit multiple 20x FCF, terminal net cash \$2.0B, 850 million diluted shares.
- Bear revenue CAGR 5%, terminal FCF margin 12%, exit multiple 12x, terminal net cash \$1.0B, 900 million diluted shares.
- Bull revenue CAGR 15%, terminal FCF margin 28%, exit multiple 24x, terminal net cash \$3.0B, 800 million diluted shares.
- Required return discounted at 7% for fair value calculation.
- Current price \$54.37 USD / €48.78 EUR is authoritative and used exclusively as current price.

Limitations

- Peer financial data is largely absent. Only qualitative comparisons are available for Take-Two, Unity, and NetEase.
- No beta, full 2008/2020 recession financials, FY2021 revenue, FY2022 FCF, or complete five-year capital allocation history were provided.
- No management track record or board independence assessment was provided.
- Analyst targets and current-price references in the source packet conflict. I used the authoritative current price of \$54.37 and noted source discrepancies.
- No dividend analysis applies because Roblox pays no dividend.

Confidence Level

MEDIUM for the AVOID recommendation. The downside valuation risk, dilution, negative GAAP earnings, and analyst target cuts are clear from the data. The forward upside remains uncertain because Roblox could reaccelerate bookings, monetize international users, and convert FCF into GAAP profit. The margin of safety is negative at the current quote, and the probability-weighted return sits below the hurdle.

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